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BUSINESS HISTORICAL SOCIETY, INC.

Organized in 1925 to promote the study
of business enterprise
from an historical point of view

The Society collects business manuscripts, books, and reports, distributes publications, and otherwise promotes research; the Harvard Graduate School of Business Administration furnishes space and also assistance from the members of its faculty and staff. The Harvard Business School Associates receive all the publications of the Society.

BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, INC.

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Meeting of the Council of the Business Historical Society

The annual meeting of the Council of the Society was held at the Parker House in Boston on May 20. The following members were present: Messrs. Adams, David, Gras, Higgins, and Kiley, Council members; Mr. Forbes, Treasurer; and Mr. Navin, Clerk.

The following personnel was elected to serve for the forthcoming year: President, John W. Higgins; Vice-President, N. S. B. Gras; Executive Secretary, Thomas R. Navin, Jr.; Assistant Executive Secretary, Elsie H. Bishop; Editor of the BULLETIN, Henrietta M. Larson; Assistant Editor of the BULLETIN, Elsie H. Bishop; Librarian, Arthur H. Cole.

The resignation of councilor Wallace B. Donham, one of the Society's original sponsors and its long-time friend, was accepted with regret. In recognition of his many services, Mr. Donham was voted lifetime Honorary Councilor.

To fill the vacancy left by Mr. Donham's resignation, Mr. Augustus P. Loring, III, was elected a Councilor of the Society.

The Council voted that, as soon as practicable, the BULLETIN OF THE BUSINESS HISTORICAL SOCIETY be issued four instead of six times per year and that individual issues be enlarged to compensate for the reduced number of issues.

Future publications planned by the Society include *Pepperell's Progress* by Evelyn H. Knowlton, *The House of Baring* by Ralph W. Hidy, and *The House of Peabody* by Muriel E. Hidy.

Members of the Society Will Receive a Critical Guide to Business History

A volume by Henrietta M. Larson, entitled *Guide to Business History: Materials for the Study of American Business History and Suggestions for Their Use*, has just appeared as a number in the Harvard Studies in Business History. About five thousand publications are cited, with comments on almost every item showing the scope of its value or usefulness. The list includes books and articles with indirect as well as obvious bearing on the general subject. They are so grouped, with introductory notes, as to constitute an outline of the fundamental ideas and concepts which are developing in the field of business history. Designed primarily for those working in that field, the book will be valuable also to economic, political, and social historians, to economists, to sociologists, and to students of business in its broader aspects. A full and analytical index by Elsie H. Bishop gives practical assistance in the use of the *Guide*.

Professor Larson brought to the task of compiling the *Guide* a broad knowledge of social and economic history and long experience in the use of the materials for study in these fields, as well as an almost pioneering knowledge of the sources upon which the study of business history is based.

Although the author has given some attention to the function of government in business, she has dealt almost entirely with private business. She has placed emphasis upon the value of biographical material which reveals the work of individual business men. Among many topics which have never before been given adequate consideration, she has stressed the important rôle played by the executive throughout the long annals of business. As she says:

> In recognizing the wide ramifications of business it is important to remember that business is in the final analysis the work of individual men working in separate and independent units, or companies, and that the most significant figure or figures in the unit are the administrator or administrators. This emphasis on the administrator does not suggest a narrow conception of business; it points to the great reality that in the

administrator is brought together that whole sum of factors, conditions, influences, relationships, and operations which affect or are a part of the functioning of the business unit and thus of the system. His function, then, that of administration, is the central or coördinating function in business.

Request for a Volume of Harvard Studies in Business History

Owing to a constantly increasing interest in the Harvard Studies in Business History, certain titles become out of print from time to time. At present there is a shortage of *Development of Two Bank Groups in the Central Northwest: A Study in Bank Policy and Organization* by Charles Sterling Popple. If any member has a clean copy in good condition, for which he no longer has any use, the Executive Secretary would appreciate being given an opportunity to purchase it at list price ($4.00) for the Society's use.

Origin of Wells, Fargo & Company
1841–1852

Wells, Fargo & Company, established in 1852, had its roots in Harnden & Company, the first of all express carriers. In the year 1841, Vermont-born Henry Wells, whose name was to rank in prominence with that of William F. Harnden and Alvin Adams in the history of the express business, was serving as Harnden's agent in Albany, New York. Many years later he explained how he came to leave Harnden's employ and to become the moving force in the first of several new express enterprises:[1]

"I was in his [William F. Harnden's] employ and recommended him to extend his express line from Albany to Buffalo, and as transportation was offered, to Chicago, [but] Mr. Harnden did not believe that the People were there and he declined. His words of declination were 'If Mr. Wells chose to run an Express to the Rocky Mountains he might — He [Mr. Harnden] would not do it.' "

So Henry Wells took his idea elsewhere. "At my suggestion Mr. George E. Pomeroy started an Express from Albany to Buffalo, but relinquished it after a very few trips. [Then] the addition of Crawford Livingston, and Henry Wells, made the well remembered firm of Pomeroy & Co. — and the business between these Cities was soon organized — the difficulties seen in all their power, and the determination to overcome them formed."[2]

"For 18 months," Wells wrote, "I performed all the then multifarious duties of Express messenger and agent, as well as those of proprietor. . . . For a long time the receipts for packages conveyed did not cover the messenger's traveling expenses; we, therefore, endeavored to increase our business by conveying fruit, fish, lobsters,

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[1] Henry Wells, *The American Express in Its Relation to Buffalo. A Paper Prepared in 1863 at the Request of the Buffalo Historical Society*. Robert W. Bingham, editor (Buffalo, N. Y.: The Buffalo Historical Society, 1938), p. 9.
[2] *Loc. cit.*

Henry Wells
(Original in Wells Fargo Bank History Collection.)

and oysters,[3] and by affording every possible accommodation to bankers, farmers, fishermen, and storekeepers on our route." [4]

This combination of special and business services proved successful, and the firm prospered.

In 1842 Pomeroy & Company, apparently at Wells' suggestion, began carrying mail between New York and Buffalo. Its rate was five and six cents a letter, compared to the United States Post Office's charge of twenty-five cents. The resulting competition helped to bring about Congressional action lowering postal rates in 1845. Thereafter, the private firm ceased carrying letters.

In 1844 the company's name was changed to Livingston, Wells & Pomeroy Company, George Pomeroy withdrawing and his brother Thaddeus Pomeroy becoming junior partner. By 1850, when it was merged into the American Express Company, the firm had undergone two more changes: when Thaddeus Pomeroy withdrew in about 1845, the name was changed to Livingston, Wells & Co.; after Crawford Livingston's death in 1847, it was changed again to Wells & Company.[5]

Meanwhile, in 1845, Henry Wells had started Wells & Company's Western Express, the first to carry packages beyond Buffalo. Its route was the one Wells had suggested to Harnden in 1841: "as transportation was offered, to Chicago." In this enterprise he had two partners, Daniel Dunning and William G. Fargo.

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[3] Wells related in 1863 the since famous story of the oyster delivery: James Leidley, the proprietor of the Seneca Street House in Buffalo, asked Wells if he could not bring oysters to Buffalo by express. At first Wells protested, but relented when told that price was no object.

"They were brought," Wells wrote, "— opened in Albany and brought to Buffalo at the cost of three dollars a hundred — and the arrival of those oysters by Express at Buffalo created a sensation as great as would today attend the coming hither of a section of the Atlantic Telegraph." (Wells, *The American Express*, p. 12.)

[4] Henry Wells, *Sketch of the Rise, Progress, and Present Condition of the Express System* (Albany, N. Y.: Van Benthuysen's Steam Printing House, 1864), pp. 12–13.

[5] Partners in Wells & Company were, first, Crawford Livingston's widow, to whom he had left his interest, and later Johnston Livingston and Edward T. Winslow. Two receipts of Wells & Company in the Wells Fargo history collection (Wells Fargo Bank & Union Trust Company, San Francisco) place within a few months the date of the withdrawal of Mrs. Livingston from the company. The first, dated March 30, 1848, gives "H. Wells" and "Mrs. C. C. Livingston" as proprietors. On the second, dated July 24, 1848, Mrs. Living-

Fargo, a native of Pompey, New York, had started his career at the age of thirteen, riding a twice-a-week mail route. A decade later he quit a job as freight agent for the newly completed Auburn & Syracuse Railroad and became a messenger for Pomeroy & Company. That was the beginning of his association with Henry Wells, who was thirteen years his senior. The next year Fargo became Buffalo agent for the firm, and in 1845 a partner in Wells & Company's Western Express. The terms of the first partnership of the men whose names were to become so closely associated are not known. But Stimson, in his *History of the Express Business*, wrote that Fargo had, as a messenger, shown "fidelity, energy, good judgment and perseverence under discouragements;" that he was given "charge of the business" of Wells & Company's Western Express, and that "after some years of persevering effort he succeeded in founding a Western Express upon a permanent basis." [6]

In 1846 William A. Livingston purchased Wells' interest in the Western Express. Dunning having dropped out earlier, the firm name was changed to Livingston & Fargo, under which it continued until it too was merged into the American Express Company in 1850.

By 1849 the two firms, Wells & Company and Livingston & Fargo, were operating profitably and amicably, dividing most of the country's express territory between themselves. Harnden & Company had dropped into a subordinate position after the death of its founder in 1845, and until 1849 no important rivalry developed. In that year, however, a new firm arose which quite suddenly offered serious competition. It was Butterfield, Wasson & Company. Its senior partner was the enterprising John Butterfield, who later established the Overland Mail to California. Butterfield, Wasson & Company entered the field as a carrier into western territory, and its threat was apparently so strong that in 1850 the older organizations suggested a merger.

In the ensuing transactions, Wells & Company's properties and goodwill were valued at $50,000 and Livingston & Fargo's at the

ston's name is crossed out and the words "& Co." are written after Wells' name.

[6] A. L. Stimson, *History of the Express Business* (New York: Baker & Godwin, 1881), p. 62.

same figure. Butterfield, Wasson & Company's assets were valued at $25,000, and that firm put up an additional $25,000 to place it upon an equal footing with the others and bring the total capital of the organization to $150,000. Officers were Henry Wells, president, William G. Fargo, secretary, and John Butterfield, line superintendent. The name American Express Company was given to the firm; but business was carried on under the name of Livingston, Fargo & Company over the established routes west of Buffalo, and under the name of Wells, Butterfield & Company over those east of that point.[7] In 1852 another organization was added, not owned directly by the American Express Company but having its inception within the councils of that firm. This was Wells, Fargo & Company.

* * *

An important function of the express companies, from their beginnings, had been the carrying on of certain banking services. According to Stimson, a suggestion to Harnden that he start a regular messenger service for brokers gave him the idea that began the whole express business.[8]

The same author described the remarkable informality with which money and valuable papers had been transferred earlier: [9]

> We have known men who were in the custom of sending parcels of bank notes, drafts, acceptances and bills of exchange, between New York and Boston — brokers, for instance — to put them in the charge of passengers in the cars, or on board the steamboat, whom they "did not know from a side of sole leather." The broker would rush down with his money parcel to the "John W. Richmond" or the "Norwich," just as the last bell was ringing, hoping to see a friend bound for Boston. Presently he would espy an acquaintance, and inquire if he was going through. If he replied in the negative, he would get him to introduce him to some one that was, and to *him* he would intrust his valuable bundle. It is no exaggeration to say that hundreds of thousands of dollars, in bank notes and other valuable paper, used to make the transit between these two cities every year in that unreliable manner.

[7] A receipt in the Wells Fargo history collection, dated March 17, 1851, carries the printed heading: "American Express Company. Late Wells & Co., Express Forwarders, and General Foreign and Domestic Agents. Wells, Butterfield & Co., between, New-York and Buffalo. Livingston, Fargo & Co., Buffalo, West."

[8] Stimson, *op. cit.*, pp. 32–33.

[9] *Ibid.*, p. 31.

When Henry Wells was carrying on Pomeroy & Company single-handed, as earlier described, he found the conveying of money an important part of his business. His railway accommodations he described as "one seat for myself, and one for my money trunk. The other trunks were in the baggage car." [10]

By 1852, according to Stimson, "the bank exchanges performed by the [American Express] company between St. Louis, Cincinnati, Chicago, Detroit, Buffalo, Albany, New York, and intermediate points, had become in itself an immense business." [11]

In California, where in the early 1850's gold was being produced at the rate of more than half a billion dollars' worth a year, money had always to be dealt with. Here the combination of express and banking services beyond the mere transportation of money reached its highest development. When, early in 1852, officers of the American Express Company decided to create a firm to serve the Far West, they indicated the importance which banking was to have in the organization by calling in a banker to serve as president of the new enterprise.

Gold had been discovered in California in 1848. The first expressmen appeared in 1849, with the onrush of miners. In October of that year Adams & Company, an express business which had been started in 1840 to run between Boston and New York, sent a "resident partner" to California to set up express, banking, and mail-carrying services. By 1852, when Wells, Fargo & Company appeared on the California scene, Adams & Company was firmly established as the leading express and banking organization on the Pacific Coast.

"At that time, Adams & Co's Express was the only one doing business between New York and California," [12] Henry Wells wrote later, "and an attempt to establish another company in the face of their formidable opposition and acquired influence, demanded much courage and determination." [13]

Nevertheless, it was thought that the backing and coöperation of

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[10] Wells, *American Express*, p. 10.

[11] Stimson, *op. cit.*, p. 67.

[12] Other companies made shipments of goods and treasure between Atlantic and Pacific ports, but none except Adams had its own complete facilities established on both coasts.

[13] Wells, *Sketch*, p. 15.

the American Express Company, and the national prominence of the men chosen to head the new organization, would place Wells, Fargo & Company more or less in the position of a going concern.

* * *

In the early months of 1852, meetings were held in New York City to organize Wells, Fargo & Company.[14] On April 20, at a meeting at the Astor House, it was formally agreed that Wells, Fargo & Company should be a joint-stock association. The total capital was set at $300,000, divided into 3,000 shares of $100 par value, "this stock to be issued to subscribers as fully paid for $25.00 per share." [15] The sum of $5.00 per share was to be paid immediately in cash. The balance was to be paid later "in cash or notes secured by the stock of the American Express Company or established Railroad, Bank or Government Stocks or Bonds, at par in the city of New York, which security was to be returned to the subscriber whenever the full $25.00 per share had been paid in." [16] On April 23, these payments were called for.

At a meeting held on April 21, officers and directors were chosen. Edwin B. Morgan was elected president. He was a banker, financier and merchant from Aurora, New York, a close friend of Henry Wells.[17] James McKay was elected secretary and general counsel. Later, Alpheus Reynolds was named treasurer. Henry Wells and William G. Fargo held no offices but became members of the nine-man board of directors. A five-man executive committee was named,

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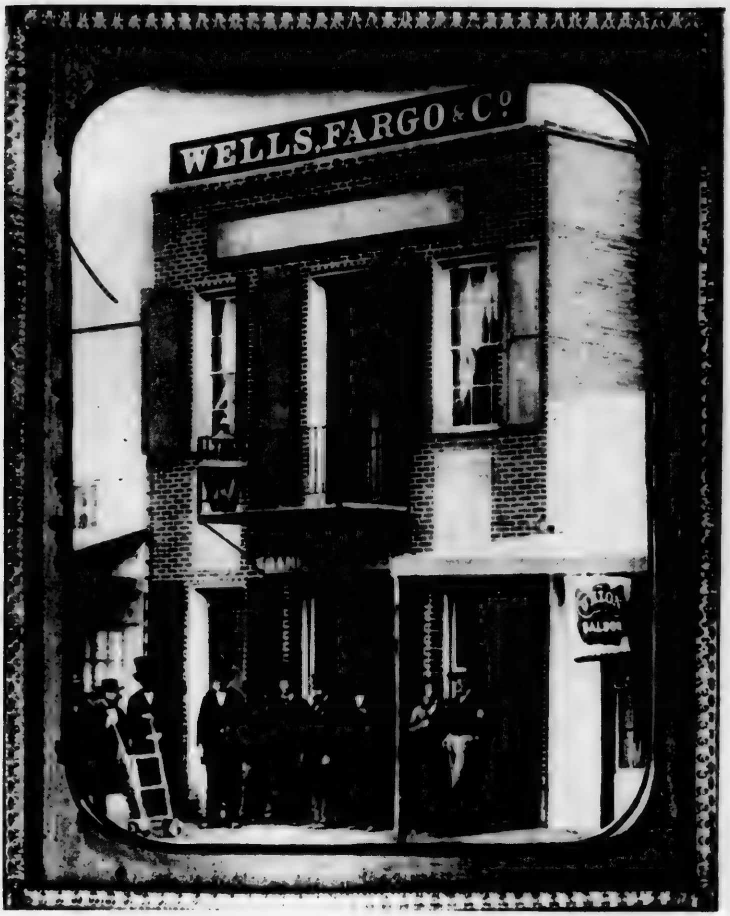
[14] Longstanding tradition places the date of organization at March 18. The medal issued by Wells, Fargo & Company in 1902 to commemorate the firm's fiftieth year carries that date.

[15] "History of Wells, Fargo & Company," vol. i, p. 3. This work, consisting of three typescript volumes, is a résumé of minutes of directors' meetings and statements. It is in the Wells Fargo history collection of the Wells Fargo Bank & Union Trust Co.

[16] *Loc. cit.*

[17] In the seventy-five years between his birth in 1806 and his death in 1881, Morgan was active in many affairs other than his own extensive business interests. He served as Representative from New York in Congress from 1853 to 1859. During the Civil War he was active in raising, equipping and privately rewarding troops. Through purchase of stock in the New York *Times* he assisted that newspaper's fight against the Tweed ring. During the latter part of his life he concerned himself largely with educational benefactions.



Office Believed To Be Wells, Fargo & Company's Headquarters in San Francisco

(Original in Wells Fargo Bank History Collection.)

headed by Johnston Livingston, the veteran expressman. Another committee of four was appointed "to confer with steamship lines to California relative to Express business." [18]

Finally, on May 20, Wells, Fargo & Company announced to the public its organization and functions with the following advertisement in the *New York Times*:

WELLS, FARGO & COMPANY'S CALIFORNIA EXPRESS. — A Joint Stock Company. Capital $300,000. Office No. 16 Wall-st., New-York

DIRECTORS

Henry Wells,	Johnston Livingston,	Wm. G. Fargo,
James McKay,	Elijah P. Williams,	A. Reynolds,
Edwin B. Morgan,	Alex. M. C. Smith,	Henry D. Rice,

EDWIN B. MORGAN, *President.*

JAMES MCKAY, *Secretary*

This Company having completed their organization, as above, are now ready to undertake a general Express Forwarding, Agency and Commission Business, the purchase and sale of Gold Dust, Bullion and Bills of Exchange, the payment and collection of notes, bills and accounts, the forwarding of Gold Dust, Bullion and Specie, also packages, parcels, and freights of all descriptions, in and between the City of New-York, and the City of San Francisco, and the principal cities and towns in California, connecting at New-York with the lines of the American Express Company, the Harden [Harnden] Express, Pullen, Virgil & Co.'s Northern and Canada Express, and Livingston, Wells & Co.'s European Express.

They have established Offices and faithful Agents in all the principal cities and towns throughout the Eastern, Middle and Western States and California; energetic and faithful special messengers furnished with iron chests for the security of treasure and other valuable packages, accompany each Express upon all their lines as well in California as the Atlantic States.

SAMUEL P. CARTER, for many years connected with the American Express Company, and R. W. WASHBURN, late of the Bank of Syracuse, have been appointed principal Agents in California.

The network of facilities of the American Express Company had been placed at the disposal of the new organization, but not until more than a month later did Carter and Washburn arrive in San Francisco and start arranging for Pacific Coast facilities.

Samuel P. Carter, who in 1848 had been Wells & Company's Al-

[18] "History of Wells, Fargo & Company," vol. i, p. 5.

bany agent,[19] was hired at a salary of $3,000 a year and "a consideration of 150 shares of the company's stock to be paid for by May 12, 1854." [20] He appears to have been an unusually competent man, judging by what we know of his work in San Francisco, and by Henry Wells' opinion of him. When Wells visited San Francisco early in 1853, he wrote to Edwin B. Morgan: "I am perfectly satisfied with all of Carters Arrangements they have been judiceous & well timed liberal but not extravagent & such as have given him the confidence of the best men in Town." [21]

There is no record of the company's arrangements with Reuben W. Washburn. He appears to have been a man of competence but of less enterprise than Carter. In another letter to Morgan during the same trip, Wells indicated that the banking business of Wells, Fargo & Company had by that time outgrown Washburn's capabilities:

"Washburn appears entirely content with his position & prospects," he wrote. "Industrious, steady, always at his work he is invaluable in his place, but that place is not the manager of a large Capital & he will be the first to welcome a manager of the Banking Department of our business." [22]

Carter arrived in San Francisco aboard the Pacific Mail Company's steamship *Oregon* on June 27, after a sixteen-day voyage up the coast from Panama. He lost no time in getting his business under way. Four days after his arrival, the first Wells, Fargo & Company advertisement in the San Francisco newspapers appeared, in the *Alta California*.[23] It differed slightly from the earlier New York announcement.

"Wells, Fargo & Co.'s Atlantic and Pacific Express," it was headed, in place of "Wells, Fargo & Company's California Express."

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[19] Carter is named as agent on the two 1848 Wells & Company receipts referred to earlier. He was serving in perhaps the same capacity with the same organization in 1847, for "Wells & Co. p S. P. Carter" is signed on a December 31, 1847, Albany receipt of the Erie and Champlain Canal; the original is in the Wells Fargo history collection.

[20] "History of Wells, Fargo & Company," vol. i, p. 5.

[21] Henry Wells, *Truly Yours, Henry Wells* (Aurora, N. Y., Wells College Press, 1945?), p. 15.

[22] *Ibid.*, p. 10.

[23] Issue of July 1, 1852.

In place of the address of the company's New York headquarters, the new San Francisco location was given: "Office in S. Brannan's new fire-proof block, Montgomery st., between California and Sacramento." This was 114 Montgomery Street.

In place of the final paragraph announcing the appointment of Carter and Washburn, the following promise was made: "They will immediately establish offices at all the principal towns in California, and run messengers on their own account for the purpose of doing a general Express business. As soon as such arrangements are completed, notice will be given."

The following day the same advertisement appeared in the San Francisco *Herald*; that newspaper welcomed the new enterprise with a routine news column announcement concluding, "A glance at the list of directors will satisfy any one of the unlimited confidence which may be reposed in the establishment."

On July 8 the advertisement started running in the *Daily Union* in Sacramento, the busy little city that was the principal gateway to the mining region, and second in importance to San Francisco among California's few commercial centers. Two days later, at about the hour when Reuben W. Washburn was stepping off the boat onto a San Francisco dock, the Portland *Oregonian* was appearing with the first of Wells, Fargo & Company's announcements in Oregon Territory.

Washburn arrived on the Pacific Mail steamer *Tennessee*, bringing with him files of Panama and eastern newspapers with fresh news for Californians. The *Tennessee* also carried sixty-five [24] packages for Wells, Fargo & Company, the first of thousands of consignments which were to go from east to west and west to east.

July 10 thus saw the beginning of two of Wells, Fargo & Company's important services: the handling of express matter, one of its primary functions, and the carrying of newspapers, a public service which was to win for the company much goodwill. Throughout the years to follow, messengers covering both land and sea routes were to carry papers, without charge, and deliver them to the newspaper

[24] There were 310 packages consigned to Adams & Company on the same ship. (*Alta California*, July 11, 1852.) When the *California* arrived on July 28, it carried 91 packages for Wells, Fargo & Company, 438 for Adams & Company. (*Alta California*, July 29, 1852.)

offices at the ends of their runs. "Our thanks to Wells, Fargo & Co. for the Eastern (or Panama, or Sacramento, or Downieville) papers," was to become a familiar sentence in the public press.

Wells, Fargo & Company did not inaugurate this service. The other express companies offered it also. There was often great rivalry among messengers to be first in with the papers. Newspaper publishers depended greatly upon such deliveries of exchanges in the days before the development of speedy communication. Henry Wells wrote later, "We were very particular in civilities to the newspapers,"[25] and as Wells, Fargo & Company's total facilities grew, these "civilities" became more extensive and regular. As overland messengers became increasingly familiar with their routes and the people who lived along them, they would also carry news verbally.

Three days after Washburn's arrival, he issued Wells, Fargo & Company's first exchange.[26] It was signed "Wells, Fargo & Company per pro. R. W. Washburn," and was for $100, payable to one Mrs. Sophia Parker of Buffalo, New York. Probably a miner was sending money home to a wife or mother, for use or perhaps for safekeeping. As yet there were few facilities for the conservative investment or even holding of money in California. The customary rate for a general deposit was ½ per cent per month paid by the depositor.

Wells, Fargo & Company's advance announcement of its first eastward shipment of California gold was made in an advertisement carried in the *Alta California* on July 24 and thereafter. It gave further details of the company's practical arrangements:

WELLS, FARGO & CO.'S ATLANTIC AND PACIFIC EXPRESS . . .
PER STEAMER OREGON, SATURDAY, JULY 31.

Our next [*sic*] express for New York will be dispatched in charge of a special messenger, by the Pacific Mail S. S. Co's steamship Oregon, on Saturday next, July 31st, at 7 o'clock, A.M., via Panama and Aspinwall.

Gold dust, coin and bullion received for shipment until Friday at 4 o'clock P.M.

Heavy freight received up to 10 o'clock A.M. and small packages and parcels until 12 o'clock, P.M. Friday.

Bills of exchange for sale, and gold dust bought at current rates.

S. P. CARTER and R. W. WASHBURN,
Agents

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[25] *The American Express*, p. 16.
[26] Photographic copy in California State Library, Sacramento.

When the *Oregon* left, as scheduled, on the last day of July, it carried as Wells, Fargo & Company's initial shipment, treasure to the value of $21,710.[27] San Francisco's leading bankers, Page, Bacon & Company, shipped the largest amount on that date, $682,014; Adams & Company followed with $600,000.[28]

By the time the *Oregon* sailed, the new company had spread its services well into California's mining region. As early as July 16, mention had been made in the Sacramento *Daily Union* of Wells, Fargo & Company's "letter and package express between San Francisco and Sacramento." The article noted that "Mr. Osgood, one of the messengers of this firm, makes the trip on the steamer Antelope." Six days later the San Francisco *Daily Whig* thanked Wells, Fargo & Company for "our Benicia correspondence," indicating that a route had been established to the town that was then serving as the capital of California.

An announcement of Wells, Fargo & Company's intended shipment aboard the *Oregon*, similar to the San Francisco advertisement, first appeared in the Sacramento *Daily Union* on July 26. In it the address of the Sacramento office was given as "on Second st., between J and K." Mention was also made of the company's office in Marysville: "Gold dust, coin and bullion received at our offices at Sacramento and Marysville until Thursday, the 29th, in time for the 2 o'clock boat from Sacramento."

Marysville was the trading center for the northern gold mines. It fed into Sacramento as Sacramento fed into San Francisco.

On July 30, Hunter & Company, an established California express firm with headquarters in the gold belt town of Placerville, and routes through the central section of the principal mining region, agreed upon an internal reorganization.[29] At the same time it decided to handle Wells, Fargo & Company's bills of exchange, in effect a broad extension of service for the new firm.[30]

[27] This figure was given by the *Alta California*, July 31, 1852, and the New York *Herald*, August 31, 1852. The San Francisco *Daily Whig* gave $21,717.

[28] *Alta California*, July 31, 1852.

[29] Sacramento *Daily Union*, August 3, 1852.

[30] Hunter & Company had earlier handled Adams & Company's exchanges. In 1854 Wells Fargo & Company was to take over Hunter & Company entirely. (Ernest A. Wiltsee, "The Franks of Hunter & Co.'s Express," *Collector's Club Philatelist*, vol. xii, no. 3, July, 1933.)

Principal sources used in the preparation of this paper, in addition to those

By the close of its first month in California, Wells, Fargo & Company had inaugurated the beginnings of most of the services which it was to offer. There is no definite information indicating that deposits were received, although that service was advertised the following month, or that money was loaned. But shipments had arrived; gold had been bought, exchanges sold, and treasure sent east; inland routes had been established and letter-carrying service inaugurated; and Wells, Fargo & Company had become accepted as a new part of the commercial life of California.

Ruth Teiser
Catherine Harroun
Wells Fargo Bank & Union Trust Co.
San Francisco

already cited, are: Alvin F. Harlow, *Old Waybills: The Romance of the Express Companies* (New York: D. Appleton-Century Co., 1934); Oscar Osburn Winther, *Express and Stagecoach Days in California* (Stanford University, California: Stanford University Press, 1936); *Dictionary of American Biography*; and Appleton's *Cyclopaedia of American Biography*.

The Changing Status of the Foreman

American business, for the most part, is cognizant of the existence of a foreman's problem. In 1943–45 the rather infectious spirit of foreman organization was manifest in several severe walkouts in key defense plants. Newspaper and magazine readers and radio listeners were deluged with commentaries on the reasons for this abrupt outcropping of dissatisfaction and dissension. Tenuous security, denial of recognition, lack of communication, small pay packets, no provision for overtime pay — these were some of the principal causes for disorder as interpreted by these experts. Hearings were held by a panel appointed by the National War Labor Board, and the panel was deeply impressed by what seemed to be a "conspicuous disproportion between the number and seriousness of the individual complaints of foremen . . . on the one hand and by the evident interest of foremen in organization on the other." It was obvious from these voluminous hearings that there was an awareness of the serious nature of the immediate threat of foremen's organization.

Unfortunately, this awareness was usually concerned with finding a hastily improvised program for solving this vexatious problem. Generals and admirals appearing before Congressional committees deplored this unpatriotic exhibition and demanded that these foremen return to work. Industrial corporations, such as Baldwin Locomotive and Chrysler, which had allegedly neglected to adequately pay their foremen, quickly increased their take-home packet. In the case of failure to pay overtime at Packard Motors, Republic Steel, and other plants, overtime rates were quickly instituted. Most companies began to eliminate the inequalities between foremen with similar skills and responsibilities, and comfortable vacations with pay became a reality for most of the overworked supervisors. Sick pay and greater security from the possibility of demotion and layoff also were adopted by companies anxious to keep production moving.

In this atmosphere of near-hysteria and name-calling, it was rare to hear or read about the roots — economic, political and social — from which had arisen the foremen's demand for the rights of collective bargaining. There was scant recognition given to the past and to the necessity for understanding the period of great business change known as industrial capitalism. It was in this era, especially from

the post-Civil War days to 1896, that the great transformation in the status of the foreman took shape. It was a revolution, but unlike the present-day manifestation it was relatively silent. Also overlooked were the periods of financial capitalism, in which specialized enterprises combined horizontally and vertically to form enormous combinations, and national capitalism, in which the government tipped the scales in favor of labor's right to organize and bargain collectively. These changes in our entire cultural environment were steadily reflected in the changing status of foremen, but few took the time and effort to study and interpret this significant metamorphosis.

The time was when the foreman was often a jack-of-all trades, handling many problems in no way correlated with production and usually supreme in authority and independence except for some loose control from his employer and his superintendent, very often the same man. For instance, he had to supervise, inspect, hire, fire, promote, and demote. He could, if he wished, sell jobs, either for cash or for political or personal favor. He could hide his incompetence by firing a man of his own choice who had not made good or one who knew more than the foreman did and was not afraid to say so. There was no doubt in anyone's mind regarding the authority and mastery over a department.

Today, the foreman is a bundle of conflicts — emotional, legal, administrative, and otherwise. As one writer [1] has pointed out, the foreman is the "master and victim of double talk." Nowhere in the industrial structure, he continues, is there so great a discrepancy between what a position ought to be and what it really is. On the one hand, management thinks of the foreman as the Arms of Management, the Grass-roots of Level Management, Front Line Personnel Man, etc. Contrarily, the foremen generally consider themselves as the Stepchildren of Industry and Forgotten Men. The Wagner Act and the newly enacted Labor Management Relations Act (Taft-Hartley) have only added to the confusion. They have with the flip of a decision decided on one day that he is an employee, on another that he is a representative of management; and recently, with Taft-Hartley, they have concluded that he is both and neither at the same time.

[1] Fritz J. Roethlisberger, "The Foreman: Master and Victim of Double Talk," *Harvard Business Review*, Spring, 1945.

Intellectually, the foreman of today is supposed to be head and shoulders above his predecessor. The following is a job description for a department foreman in Aeronautical Products, Inc.:

Supervises, instructs, and directs the work of a varying number of employees engaged in machining or expediting the machining of the Company's products. In so supervising, instructing and directing the department, he performs the following specific duties: on the basis of his production schedules plans the manpower needs of the department, requisitioning needed additional or replacement workers, assigns workers to particular jobs and tasks according to their experience and ability; trains, instructs, and assists new workers; *recommends transfers, promotions, demotions, merit raises and disciplinary action and discharges for cause under the specific stipulations of* THE C. I. O. UNION CONTRACTS, and is charged with the settlement of all grievances arising in his department at their source in the first two steps of the Five-step grievance procedure; plans and organizes the department so as to fully utilize manpower and machinery available in order to meet production schedules; confers with the Superintendent and Plant Manager recommending changes, orders necessary machinery, tools and equipment, and checks production against standards established for each job; maintains attendance and punctuality records of his employees; attends such training sessions as are scheduled from time to time to improve his technical knowledge and his skill in handling his personnel.

Aside from this, the foreman must know his company's rules, policies, and regulations. He must understand the cost system, payment system, and time and motion study. He must be conversant with the labor laws of the United States and the State in which the factory is located. He must comprehend safety procedures and be proficient in getting along with many people — his immediate superior, staff specialists, other foremen, workers, and the union shop steward.

With all this knowledge of the best methods at his command, there is something lacking. The foreman feels he is less effective, less secure, less important, and that he receives less recognition. To put it bluntly, he feels lost.

This article, unfortunately, does not have the cure-all for foreman difficulties. It is, at best, an attempt to trace the reasons for the changing status of the foreman from his past primacy to present-day subordination, and from his highly secure position to one that is highly insecure. In order to clarify my discussion of this shift I have divided it into four principal movements:

I. Increasing mechanization and competition resulting from the development of industrial capitalism, hastened along by the Industrial Revolution and its more recent concomitant, Taylorism or scientific management. II. The rise of the employment and personnel department, which encroached on the foreman's authority and responsibility; also, the introduction of other staff functions into the industrial organization. III. The appearance of militant rank-and-file trade unions which greatly limited the discretion and power of the foreman. IV. The establishment of foremen's unions in the late 1930's and early 1940's, especially in heavy manufacturing and restricted solely to foremen. The ostensible object of these unions was to redress the specific, tangible wrongs of an erring management. Actually the social and economic implications of separateness from management, though less visible, were more explosive.

I. Increasing Mechanization and Competition

The period of our history encompassing 1866–97 is one that has been given the paradoxical title of "profitless prosperity." It was a period of tremendous growth which witnessed accelerated development and the use of power-driven machinery. The population was increasing at a phenomenal rate, and the internal market was becoming larger and larger. But this was an ĕra of specialization and, whereas population doubled, production quadrupled. Competition was no longer something vague and indefinite; it hit with vigor and strength at all except the newest industries. Prices were in an almost continuous decline, and net earnings and dividends were being squeezed by the maintenance of higher real-wage levels. No doubt the standard of living of the American people continued intact and even was bettered. Nevertheless, the pressing reality of too much production and decreased margins found business in general against a steadily rising bankruptcy rate. Industrial capitalism, which had derived its strength from the mustering of men, money, and materials into the corporate form of organization, now discovered difficulty in adjusting itself to new problems.

This adjustment took place in the form of financial capitalism. The investment banker utilized the tools of sound internal management and financing to correct some of the evil consequences of the

highly competitive and specialized industrial capitalist. To lessen the rigors of unrestricted competition and individualism, combinations and consolidations replaced the single-unit corporation.

Into these surroundings of management uncertainty and difficulty, the need arose for the attainment of the lowest possible per-unit costs through more efficient administration. Change might have taken the course of lower distribution costs, a sounder financial structure, or a more cost-conscious management of production. For the most part, industry concentrated on the last possibility, the reduction of costs through more care and management of the production process.

Under the system of management existing in the early part of the era of industrial capitalism, the owner carried his office in his hat. When the establishment grew beyond the capacity of the contents of one hat, power and responsibility were delegated to others until these too became overtaxed. Costs went up, deliveries fell off, and the necessity for a further distribution of authority and responsibility arose. This gradual delegation and subdivision of authority was characteristic of what Taylor termed the "Military System of Management." Under it the shops were run almost entirely by the foreman, and the actual work was performed by men working under constant criticism and goading. It appeared to Taylor that the foreman's duties were in no way clearly circumscribed: "It is left each day entirely to his judgment what small part of the mass of duties before him it is most important for him to attend to, and he staggers along under this fraction of the work for which he is responsible, leaving the balance to be done in many cases as the gang bosses and workmen see fit." [2]

It is difficult to enumerate the duties and responsibilities of the foreman in that period. As a rule his duties were not specific beyond seeing that the shop kept running. Generally, there was no well-defined system under which he operated. He was supposed to see that men were supplied with the material to work upon, to assign their jobs, to give instructions as to how the work should be done, to suggest or supply any special tools or fixtures if any were required, to see that the tools in his department were kept in good order and

[2] Frederick W. Taylor, *Shop Management* (New York, 1919), p. 95.

condition, to see that work was delivered from other departments when needed, and that proper effort was being made throughout the shop. Moreover, he had to look after discipline, and, in addition to a considerable amount of clerical work, to shoulder many other details. The number and diversity of these duties were considerably greater than the very best efficiency demanded.

Though the foreman was allowed considerable discretion, constant pressure was exerted on him from top management. On March 1, 1900, before the United States House Committee on Labor, the President of Midvale Steel (Harrah) described his system of management: "We have the most improved type of machinery now; but we make it a rule to run a machine to break. For instance the life of a hammer bar may be two years. If that hammer bar does not break inside of the two years I go to the foreman because I know he is not getting the work he ought to out of the forge." On a further question from the chairman of the Committee as to whether everything was running to its full capacity, Harrah continued: "Absolutely; yes sir — we have absolutely no regard for machinery or for men."

The quintessence of the Taylor System was the separation of planning from performance. As far as possible the foreman was to be relieved of the work of planning and of all work more or less clerical in its nature. All possible brain work was to be removed from the shop and centered in the planning or laying-out department, leaving for the foreman and gang bosses work strictly executive in its nature. Functional management, the system which divided the work of management so that each man from the foreman down had as few functions as possible to perform, replaced the military system. Thus, under functional foremanship, the work which under the military type of organization had been done by the single gang boss now was subdivided among as many as eight men. A typical example of this subdivision under functional foremanship is as follows. The *route clerk* laid out the exact route which each piece of work was to travel through the shop from machine to machine. He also told the shop bosses the exact order in which the work was to be done by each class of machines and men. The *instruction card clerk* instructed the shop foremen and the men in all the details of their work. The card which he distributed indicated to them the general and detail

drawing to refer to, the piece number and the cost order number to charge the work to, the special jigs, fixtures and tools to use, the speed and feed for each cut, and the time within which each operation had to be finished. It listed the piece rate and the differential premium rate. The *time and cost clerk* sent to the men through the "time ticket" all the data for recording and costing their time, the ticket to be returned to the office when they had been compiled. The *gang boss* was in charge of the preparation of all work up to the time that the piece was set in the machine; he saw to it that all the men had a job to do. The *speed boss* saw that proper cutting tools were used for each piece of work and that correct speeds and feeds were used. The *inspector* was responsible for the quality of work. The *repair boss's* responsibility was to see that all machines were clean and free from rust, that they were oiled and treated properly, and that the belting was maintained and the floors clean. The *shop disciplinarian* was in charge of cases of insubordination or repeated failure to do one's duty, tardiness, and unexcused absence. He applied the remedy — warning, fines, or discharge.

In an investigation of scientific management made by Professor Robert F. Hoxie for the United States Commission on Industrial Relations, it was discovered that "scientific management in practice is never fully installed, the system never wholly conformable with the ideals and principles laid down by the leaders and that each management has its own peculiar viewpoint and its own peculiar policies and methods which prevail in the installation and operation of the system." [3]

In most cases, apparently, the expert was called in because the establishment was in financial or industrial straits, and the chief concern of the management was quick increase of production and profits. It was essential for the company to meet its competitors then and there, and it could not afford to expend more than was necessary toward this end. In such cases the systematizer usually had to forego, to a great extent, the careful preliminary improvement and standardization of machinery and processes, the adequate organization of the accounting and sales departments, and the careful development of the functional staff.

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[3] Robert F. Hoxie, *Scientific Management and Labor* (New York, 1915), p. 29.

The fact was that on the whole — barring some notable exceptions, such as the Tabor Manufacturing Company, Bethlehem Steel, and a few others — the sponsors and adherents of scientific management, experts and employers alike, were profoundly ignorant of the problems which arose out of the newly created organization, especially as these touched on the foreman and the worker. By reducing job operations through standardization, time study, and functional foremanship and by developing formulas, laws, and commandments of management, Taylor compressed the possible discretion of the foreman into a narrow area. He did not realize that he was relegating the foreman to a position of greatly limited scope and one which tended to move him closer to the worker rather than closer to management. While scientific management had as a main objective the breakdown of the skill and individuality of the worker, to utilize them more effectively through more specialized tasks, it indirectly did the same for the foreman.

The full implication of the change was that the functions of the foreman were materially altered. Whereas the foreman formerly had been an executive with considerable freedom of action, he was now an executor carrying out orders, plans, and policies handed down to him from above. Thus, under the old system most of the work was compensated by the day wage. The pressure to produce or set the pace was entirely on the foreman who drove the men. Under piecework and time study, this situation was reversed. With definite time and rate standards to direct the worker, the responsibility was thrown completely on the employee himself. If he did not meet the standard, he was penalized; if he attained or exceeded it, he was given a bonus. The foreman no longer supplied the drive; instead, he became a specialized cog in the production process, his new duties being of such a nature as to assist rather than regulate the process.

As in most silent revolutions, the participants did not realize that industrial organization was undergoing tremendous changes. Taylor admonished management that his system involved a complete mental revolution on the part of the worker, foreman, and management, but his warning was by-passed as a mere exaggeration of a perfectionist. It was only thirty years later, when the foremen walked out in Detroit, that management recognized its grievous mistakes. The chickens had come home to roost — with a vengeance.

II. Rise of the Personnel Function

The growth of system and material efficiency, with better organization and the standardization of plants, machinery, processes, operations, and products, brought increased efficiency and economy of production everywhere save at the one vital point, namely, the more efficient handling of labor. Regardless of how dear the personal relationship was to top management, the growth in the size of the corporate unit drove the higher executives farther from the men. Hastening this cleavage between employer and employee was the division of function, which tended to confine, narrow, and specialize the worker.

It was logical, when industrial management reached the point where its practices could be defined and where preliminary studies were made to separate the good from the bad, that attention should have been focussed first on processes, machines, and buildings. These things needed to be right before the worker could realize his possibilities. It is to be recognized, however, that though the word "efficiency" came into wide use during this stage of dealing with inanimate factors, the word soon came to have a far broader significance which carried an import of all-around effectiveness. Industrial efficiency came to mean right workers and right conditions for them as distinctly as right machines and conditions designed for their best operation.

This was the broad principle on which the functionalized employment department was established. It was simply the application of the same reasoning to finding and maintaining the labor supply which had already been applied in industry to problems of building, equipment, mechanical supervision, and the methods by which business was advanced.

Even before the advent of the specialized employment department, Taylor foresaw the need to withdraw certain personnel functions from the foreman. This was predicated on two main theses: (1) Finding the right man for the right job required scientific selection and training. No longer should the foreman hire men who could theoretically perform every job in the plant. Company hiring had to fit the best man into an available opening. The foreman, already burdened down with other difficulties, maintained Taylor, could not

adequately handle these more exacting demands. (2) The establishment of the shop disciplinarian foreman had in mind the lopping off of all disciplinary powers and responsibilities from the other seven functional foremen. All grievances were to be presented to this individual, and all penalties and discharge were to be meted out from this person.

Though it is imprudent to claim that the advent of World War I was largely responsible for the development of the functionalized employment department, it cannot be gainsaid that it had a decisive influence. Until 1914 no more than a handful of corporations had seen the necessity to standardize employment procedure. The foreman, who had previously done the job, considered himself able and was willing enough to continue to assume the responsibility. If a separate department was contemplated, he ascribed to it no other basis of appraisal than he himself had used in hiring; and, with this as a premise, he argued that his intuition was better than that of one who lacked his own intimate knowledge of the work for which he was responsible. Almost invariably, too, he failed to value to a reasonable extent the loss to his own work which came from the waste of time involved in interviewing and employing.

At the same time, unknown to the foreman himself, he was committing many breaches of sound judgment. The latitude permitted foremen in fixing the compensation of individual workmen and in setting or changing piece rates naturally produced inequalities in the earnings of workmen of comparable skill in different departments. Likewise, the freedom of foremen to act on their own responsibility in hiring, promoting, or demoting workmen, in assigning work, in making layoffs, and in administering discipline produced diversities in labor policies. Favoritism and jealousy were rife, and the handling of grievances was usually indiscriminate and arbitrary. If the foreman disliked a man, he could make things discouragingly unpleasant. He had a tendency also to hoard his labor. If he got a good team in the rush season, he was loath to lay them off in the slack season. Transfers between departments were a rarity, and men frequently laid off or fired from one department appeared in another department the next day. It was inevitable that management should establish, sooner or later, central machinery for setting standards of production and piece rates, central machinery for hiring, uniform

policies to govern promotions, demotions, sick leave and sick pay, layoffs, and central review of discipline. Indeed, this centralization of policy-making and the development of central controls over the execution of policies have been among the most important trends in the evolution of management during the past forty years.

Just as the phrase "scientific management" had taken industry by storm in the first decade of the 1900's, the term "labor turnover" caught management's fancy in the second decade. Some companies — such as Dennison, Curtis Publishing, and National Cash Register — suddenly realized that there was considerable expense in hiring and firing. Figures of \$50–\$200 were included in every article on employee relations to signify the net cost of taking on a man and training him. No longer, and especially with the wartime shortage of labor, could management look upon central employment duties as unproductive, if not as an unnecessary evil.

Soon after the outbreak of World War I had brought an increased demand for production in the United States, the Dennison Company, for instance, set up an employment department. This department was expected to improve the human relationships within the company and to reduce its labor turnover (1) by making a careful study of the requirements of its various occupations; (2) by engaging persons who could best meet these requirements and seeing that they were adequately instructed; (3) by transferring to other occupations any promising employees who were unadapted to the first job; and (4) by heedfully noting the reasons given by employees for quitting, so that steps could be taken to eradicate any common cause that was making employees dissatisfied and causing them to leave.

In most cases the manifold responsibilities of foremen, already listed in this article, rendered them unfit either to judge fairly the amount and kind of discipline required or to determine how inefficient men might have been trained or fitted into new tasks. Foremen would not compare notes; they simply fired. It was left to the employment manager to look over the day's requisitions for labor and send the superfluous worker to some other department.

As far back as 1914, Ford, Packard, and Dodge divested foremen of the absolute right to discharge, permitting them only to recommend for discharge and transfer. Indeed, it is not a little strange and ironical that it was in the Detroit area that the evolution of the

wholesale dilution of foreman authority began. Thirty years later it was in this same city that the powerful Foremen's Association of America first took hold and staged its most disruptive strikes.

In order to appreciate fully the severity of the transformation in foreman authority, the American Management Association has collated information from a large number of industrial companies regarding foremen's personnel responsibility — formerly the foremen's strongest hold on the "old order." This information, summarized below, refers to the functions of hiring, discharge, pay increases and promotions, and discipline: [4]

Hiring	Number of Companies	Percentage
1. Complete right to hire (foreman interviews, selects, has final say)	3	3.5
2. Partial right to hire (interview and selection by personnel department. Final say by foreman)	55	67.0
3. No right to hire (personnel department interviews, selects, has final say)	24	29.5
	82	100.0
Discharge		
1. Complete right to discharge (without consultation)	8	10.5
2. Complete right to discharge, but personnel department can transfer individuals to another department	5	6.5
3. Partial right to discharge		
a. Consult superior, take final action himself	16	21.0
b. Consult personnel department but make final decision himself	8	10.5
c. Recommend discharge, but discharge made by superior	19	25.5
d. Recommend discharge, but personnel department makes decision	17	23.0
4. No right to discharge	2	3.0
	75	100.0

[4] American Management Association, *The Development of Foremen in Management*, by Ernest Dale, Research Report No. 7 (N. Y., 1945), pp. 17–20.

Pay Increases and Promotions		
1. Complete right to make promotions within department (consult no one)	11	14.5
2. Partial right (foremen make recommendations for action by superior or personnel department)	63	83.0
3. No right to raise pay or promote	2	2.5
	76	100.0
Discipline		
1. Complete right to discipline	7	10.25
2. Handles most cases himself, but must refer serious cases to personnel department or superior	16	24.00
3. Must refer to personnel department before making decision	7	10.25
4. Must refer to superior before making a decision	10	15.00
5. Recommends discipline (either to personnel department or to superior)	12	18.00
6. Must refer to discipline board	5	7.50
7. No right to discipline in any case	10	15.00
	67	100.00

Besides World War I and its attack on "labor turnover," several other important elements influenced the centralization of the personnel function and the divesting of same from the foreman. The first factor was the depression and the utilization of the NIRA codes. Large reductions in the work force necessary to cut costs forced management to coördinate its layoff policies in order to minimize public and worker censure. Also, section 7a of the NIRA led to employee representation plans under which actions of foremen in discipline cases were subject to review. The second factor necessitating uniform personnel practices was the mushroom-like growth of unions in the 'thirties. As I shall describe in Part III, the colossus of Trade Unionism has introduced such old and new elements as seniority, a rigid labor contract, and shop stewards. All these were typical of the powerful ingredients that usurped the hitherto inviolate domain of the foreman.

A third element requiring concentrated attention was the progres-

sive use of welfare programs. In the early part of the Industrial Revolution, welfare signified the humanitarian actions of some far-sighted employers. Such men as Robert Owen, Lowell, and Appleton led the industrial concern in helping employees. From 1850 to 1900 the welfare concept was quiescent. The individualistic and Darwinian approach was triumphant. To help somebody in his ascent to the top of the business ladder was supposed to be destructive of a man's soul. Later, the impact of the large factory, with great numbers of employees dependent on specialized processes, once again brought a renewal of attempts to establish welfare systems. This time, unlike the humanitarian and personalized methods of earlier days, management's rôle was to contend with unions and large-scale unemployment in recession. Wars resulted in enormous shocks to the corporation and the worker. Some solution had to be found in securing good will, reducing labor turnover, and breaking and discouraging unions. As the welfare programs broadened from meager personal loan services to highly refined recreational, medical, and insurance services, the worker looked away from his former boss, the foreman, to those who could help him because of their specialized training and knowledge. Whereas previously it had been customary to consult the foreman in case of personal difficulty, it now became the practice to seek out the welfare "expert." The indefinably important relationship between worker and foreman suffered an irreparable decline.

In most plants the rise of the staff expert has seriously impinged on the foreman's responsibilities. If costs are too high or if planning is out of kilter, it is no longer the foreman who studies and remedies these difficulties. A corps of specially instructed and knowledgeable men come into the department to "guide" and "advise" the department supervisor. His job, therefore, like his workers', becomes narrow, confined and specialized, though still essential.

In the two parts, above, I have tried to point out that the foreman's authority and responsibility were changing rapidly during the period 1867–98 and 1900–30. Both scientific management and the personnel function tended to break the big job into tiny units. The foreman was no exception in the striving for business efficiency and profits. He, too, had to change his tune to keep abreast of developments which were shaking industrial management. In the last two

sections of this discussion I shall deal mainly with the period from 1933 to the present.

III. Rise of Militant Trade Unions

It is popular to ascribe the organization of dynamic industrial unionism to the period known as the New Deal. Both the NIRA and the Wagner Act are usually marked as the responsible factors in hastening the astounding growth of large, powerful employee combinations. They recognize the labor union and, especially, industrial unions as necessary adjuncts in determining industry and company policies. An entirely new set of relationships became necessary between labor and management, for behind the new organizations was the political strength of the New Deal. The repercussions of this development did not take long to permeate the management hierarchy from the president down to the foreman.

At the same time, there arose for the foreman a need to understand and to work with an entirely new concept — that of operating under a rigid contract which circumscribed his powers over seniority, discharge, and promotion and which introduced a new personality into the industrial scene, the shop steward. All of this came so fast and so unexpectedly that both management and its "front-line" representative were unprepared. Signals were crossed, and the foremen, trying to reflect the antagonism of management to the unions, found themselves alone when the showdown came, while management, sensing the economic strength and political force of the new unions, gave way little by little but rarely explained the shift in policy to the foremen.

Recognition of unions made some foremen feel that they had been deserted by management, and many of the initial difficulties under the Wagner Act issued not from top management but from the unbridled dislike and active animosity of foremen toward the unions. Sometimes, foremen were not even given copies of the agreements and had to borrow them from the shop stewards. Then, because foremen knew little of the agreement, management changed their tune and by-passed them. Overzealous shop stewards challenged the authority of the foremen to run their departments, and in many cases foremen were not backed up by management.

Though it is a relatively simple device to assign the turning point

in foreman authority to the New Deal, closer examination will reveal the antecedents to be further back.

Frederick W. Taylor foresaw in his system of scientific management the strengthening of the individualistic motive and the weakening of group solidarity. His philosophy was summed up thus in his book, ***Shop Management***:

> The writer believes the system of regulating the wages and conditions of employment of whole classes of men by conference and agreement between the leaders of unions and manufacturers to be vastly inferior both in its moral effect on the men and on the material interests of both parties, to the plan of stimulating each workman's ambition by paying him according to his individual worth, and without limiting him to the rate of work or pay of the average of his class.

The whole gospel of scientific management was directed toward the individual, telling him how, by special efficiency, he could cut loose from the mass and rise in wages or status to a position of consequence.

A distinction should here be drawn between group solidarity based upon craft relationships and class solidarity based upon general industrial conditions and relationships. While machine industry tended, and doubtless scientific management also tended, to prevent the formation and to break down the solidarity of craft groups, machine industry has been the strongest force in the creation of class consciousness and industrial as well as class solidarity among the workers. This was amply borne out by the new-found, plant-wide spirit which resulted from the introduction of scientific management in certain companies and government establishments. When scientific management was introduced at the Watertown Arsenal in 1909, molders, machinists, and boilermakers joined for the first time to combat the breakdown of skills, the use of the stopwatch, and the premium bonus plan. In more than one instance the workers walked out *en masse* to demonstrate the strength of their informal organization.

At the Schenectady, New York, works of the American Locomotive Company the strong opposition to scientific management led to a damaging strike. This show of class, rather than craft, solidarity probably hastened management's decision to dismiss Henry L. Gantt, then employed as a consulting engineer introducing Taylorism.

All this indicates that the same circumstances which started the breakdown of the foreman's functions and the specialization thereof also contributed substantially to the development of the industrial-type labor union. The latter, also, is of material importance in constricting the area of foreman discretion. Think how near-humiliating it is for the foreman not to be able to fire someone in his department! Even if the worker is a chronic incompetent, the supervisor must first report his recommendations to the industrial relations department. There, in the presence of the employee and his shop steward, he has to explain in detail the reasons for his recommendation. Quite a comedown from the good old days!

In dealing with industrial relations, top management has changed from almost complete dependence on the foreman to confidence in its own ability. If top management is baffled by the labor problems with which it is confronted, the head executives often find it difficult to believe that a subordinate might be able to solve such problems. In the same A.M.A. survey noted previously, only 20 per cent of the companies replying said that they held foremen's policy meetings or practised active consultation on industrial relations and other matters. Grass-roots level of management? Front-line personnel men? Arms of management? Most foremen think of this as another example of management two-timing and deceitful double talk. Members of the management team? What a laugh! By-passed by the shop steward and distrusted by top management, yet the foreman remains in the center of their respective fire. He has become a man of full responsibility for maintaining industrial peace, without the necessary authority to carry out his program.

To call the foreman confused is to put it mildly. He is distressed, angry, critical, and non-coöperative. As a consequence, he readily joined with his like-feeling colleagues in other companies and industries to form the Foremen's Association of America. It was a radical and unprecedented step, but the foreman was feeling "ornery" and disgusted and he wanted quick, effective results.

IV. Foremen's Unions

When the Ford Motor Company signed a collective agreement with the Foremen's Association of America on November 5, 1942, a flurry of excitement was felt in and around Detroit. Until then fore-

man organization had been confined to craft trades, such as printing, building, railroads, teamsters, longshoremen, and a few others. In printing and building, foremen are members of the union as well as representatives of management. Thus, if a foreman "rushes" some building-trades employees, the union can inflict severe disciplinary penalties on him. However, to multiply his discomfort, management can at the same time fire him without recourse.

The first national foremen's organization to be established was the National Association of Foremen (N.A.F.). Founded in Dayton, Ohio, in 1918 as part of a Y.M.C.A. evening course in better foremanship, the idea and organization spread throughout the country. It was a combination social and discussion group which spent most of its time on social and recreational activities. However, behind this façade the actual purpose of the group was expressed in the presidential address in 1927. Its main purpose, the head of the Association said, was to "enable the securing of profit in industry." Five months later in the N.A.F. magazine, *The Foreman*, this thought was repeated in the statement that "the foreman's job is economic — he must make a profit." It seems not a little strange, also, that of the nine officers elected to the governing board of the N.A.F. in 1929, all were executives from the top-management level and five were college graduates. Certainly, this was not an honest-to-goodness foremen's association.

The impetus for foremen to set up a group independent of both rank-and-file and management came from the enormous expansion of defense industries, principally in the Detroit area. The Ford Motor Company was the first of the large companies to meet this new force head on. In June, 1941, Ford signed its first contract with the United Automobile Workers (CIO) after a period of active hostility and bloodshed. The contract was most generous to the workers, but no consideration was given to the foreman. In fact, it was stipulated that a worker promoted to a foremanship automatically lost his accumulated seniority. No increase in compensation was allowed at the time. Also, with an unparalleled expansion under way, many new foremen were hired or upgraded and serious wage inequalities and inconsistencies resulted. Foremen were not paid for overtime, no provision was made for adequate vacations, and the foremen were short-circuited in the handling of grievances.

From September 1, 1941, when it was established, through December 31 of the same year, the F.A.A. grew from 3 members to over 4,000, all at Ford. Not too much effort was expended in bringing this about — the desire to organize was spontaneous. At first it was confined to the automobile manufacturing companies, but it quickly moved outside Michigan and to other industries. By 1944 there were over 150 chapters with a membership of 33,000.

A very important factor in the generation of this new foreman spirit was the legal recognition of foremen as "employees" under the Wagner Act. This meant that management would be required, if the foremen represented a majority within a unit, to recognize them as the sole collective bargaining representative for all the foremen in that unit. Refusal to bargain constituted an unfair labor practice. This favorable decision came in June, 1942, in the Union Collieries Company case, and immediately the F.A.A. started to move. Robert Keys, one of the three originators, was elected full-time president, a public relations expert was hired, and radio time was purchased. The organization worked smoothly and successfully until May 11, 1943, when the Maryland Drydock case was decided by the National Labor Relations Board. This decision overthrew the Union Colliery decision and made it entirely voluntary for the employer to recognize the F.A.A. Ford, backed up by the N.L.R.B., refused further recognition and a series of strikes erupted from July to December, 1943. In the period from April to May, 1944, strikes hit a new high in the Detroit area as the F.A.A. sought to exact their demands through sheer strength if not through legal sanction.

Why did the F.A.A. take such drastic action? Why were they willing to endanger the war production effort? If they had been given better wages and hours and payment for overtime, sickness, and vacations, would they have given up their organizational attempts?

Somehow, the demands that the foremen were making appeared to be relatively minor. Most of the major companies had quickly corrected the gross inequalities that were existent in the early part of the war. There had to be something more pressing, more basic, and more painful. The preamble to the constitution adopted in November, 1941, put it this way: "In the particulars of the day's production the foreman is yet the channel for making effective policies and directions of management as applied to production, but he

is a part of neither organized ownership or management on the one hand nor of organized labor on the other hand."

Further, in a letter dated February 5, 1944, from Robert Keys to Herman L. Weckler, vice-president and general manager of the Chrysler Corporation, the former replied to the latter's contention that foremen were automatically a part of management:

> Our thinking on company policies and orders is all done for us by top management and we foremen are the automatons who carry out orders to the workers in our departments. We are not consulted about the wisdom of such policies or orders and have no say in their formulation. Indeed, we have learned the hard way that it is not smart to question orders. . . . If we are, as you claim, a part of management, then why are we not treated as such?
>
> Your letter totally ignores the indisputable fact that we foremen tried our best for years, each one acting on his own, to adjust our grievances. Conclusive proof of our failure in this regard lies in the fact that we have turned to collective action, through membership in the Foremen's Association of America, to adjust those grievances.
>
> No man, endowed with common horse sense, will join a union and pay dues if he is convinced that his employer is treating him fairly.
>
> Chrysler foremen settle only the very minor grievances of the workers with union stewards, for the plain fact is that we have no authority to do otherwise. The action of union stewards toward us verifies that contention. They know that we are merely the "buffers" who absorb the initial shocks before passing the grievances higher up. In actual practice, it is our duty to listen to complaints and grievances about which we can do little or nothing. It is an exaggeration, therefore, to refer to foremen in the matter of grievance procedure as if we really bargained with employees.

This letter manifests deep-seated insecurity, fear, resentment, and just ordinary wounded pride. The foreman does not believe that management or the workers will take care of him, and consequently he resorts to self-organization. Moreover, he believes that unless he organizes, management and labor might become involved in an interminable struggle which would do him no good whatsoever. Finally, the foreman sees himself being relegated to carrying out, rather than formulating, the policies of management.

Unfortunately, the Taft-Hartley Act has added to the confusion of the foreman's position. Instead of making a decision which leaves no doubt in his mind as to his position — either an employer or employee — the law states that a foreman is not an employee unless

the boss wants to recognize him as such. That is, he can join the F.A.A. or any other supervisory group but the group cannot force their employer to recognize them as the sole collective bargaining agency. At the same time he is withdrawn from inclusion within the definition of employer. The Act includes only persons acting as agents of the employer. This was done for the reason that the N.L.R.B. had on numerous occasions held an employer responsible for the acts of subordinate employees and others, although they were not acting within the scope of any authority from the employer, real or apparent. Even now, about a year after the enactment of this law, the foreman's legal status is still shrouded in uncertainty and conjecture.

Despite the above confusion, it should be emphasized that in the past two or three years management has become intensely interested in the welfare of the foreman. Industry has healthily recognized its bungling and mismanagement and is moving to make effective amends. Companies like the Ford Motor Company, which had allegedly been in the forefront of chronic offenders in their dealings with foremen, have now introduced sweeping programs of reform and foresight. Large issues, such as giving the foreman a chance to assist in policy-formulation, and small though important questions, such as separate parking space and better sanitary facilities, have all been included in an ambitious ten-year program.

At Willys-Overland foremen are now consulted before the product goes into active production, and at Goodyear Tire and Rubber thoroughgoing discussions are held by foremen and shop stewards on the labor contract. Every sentence and phrase is read and any question in interpretation is ironed out on the spot. These are but a few of the measures that are being taken by management to help solve this important problem.

These trends do not mean that the foreman's job is becoming less exacting or that it can be filled by less competent people. On the contrary, the need for able men in the post of foreman seems to be growing. The foreman may be given more and more ready-made policies to execute, more and more standard practices to observe in executing them, and more and more help from a variety of service departments, but he is also held to higher and higher standards in meeting production schedules, in maintaining standards of quality, and in dealing with personnel. Furthermore, higher management

cannot escape dependence upon the foreman's knowledge of men and conditions and the wisdom and fairness of the foreman's judgment. Hence no matter how well conceived the company's production and labor policies may be at the top, they are in no fact better than they become at the hands of the foremen who execute them.

It is necessary to recognize that the foreman's position has come to vary from industry to industry. In the mass-production industries his duties have been so disseminated that one may well ask whether the tie to management has been permanently broken — it has at least been greatly if not irreparably weakened. Wherever the foreman can be effectively by-passed in planning, there his position has most strikingly deteriorated. The foreman is still, however, a vital part of our industrial structure, as indispensable as the top-sergeant, who is depended upon to supply the savvy and the know-how needed to deal with techniques and with people.

The foreman's status, his importance, and his job have thus changed materially in the past forty years. He is no longer the individual to whom unchecked authority is given to run the shop. He is dependent on centralized departments to coördinate his personnel requirements and on staff experts to render specialized advice on technical problems. There is no doubt that he has been confused and unable to grasp the reality and insecurity of his position. But this is not so unusual or so disastrous as it sounds out of context from the whole industrial fabric, for what group in the past forty years has not been confused and unadjusted? That is one price that we, as a society, pay for progress. The issue is whether or not management, seeing the changes which have come in the foreman's position and relationships, can make the adjustments necessary to stem the deterioration in the foreman's position in those places and to the extent that his guidance and his responsibility are essential in the operation of business today.

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Manufacturer's Drummer, 1852, With Comments on Western and Southern Markets

Changes in the rôle of the commercial drummer during the thirty years prior to the Civil War are suggested by comparison of reports received from a salesman in the 1850's with similar reports received from a salesman for the same firm in the 1830's. The trips and reports of the earlier salesman, who traveled for J. M. L. & W. H. Scovill, a Connecticut brass rolling and fabricating partnership, were described in the last issue of this BULLETIN.[1] The chief complaint of the salesman in the 1830's was that the merchants of any importance made regular trips to Philadelphia or New York. Such merchants preferred to make all their purchases at one time in order to save trouble and expense in transportation and they also bought most of their goods from established jobbers to whom they were known and who would extend credit.

Complaint on this score continued in the 1850's, but by that time such buyers were often directed to the manufacturer's depot in New York. Such complaint was, furthermore, overshadowed by reference to drummers for competing manufacturing concerns who had been through the territory some short time previously and had increased the discounts. At one time such a salesman, mentioned by name, was said to have been on the "western route" some three or four years and was described as carrying samples "of a good many styles of goods."

In the twenty-year interval there was a significant change in the conduct of the Scovill firm's marketing. There was a decline in the importance of the commission agents who had filled a key rôle in New York and Philadelphia sales in the 1830's. At the same time there was an increase in initiative taken by the manufacturer to establish contact with wholesalers and retailers that purchased directly from

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[1] "Manufacturer's Drummer, 1832," BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, vol. xxii, no. 2 (April, 1948), pp. 40–56.

the firm. The change in this firm's practice conformed to a general shift in marketing at this time.[2]

This decline in the relative importance of commission agents may have resulted, in part, from a change in the type of products sold, particularly the addition of several new lines. During the 1830's the firm undertook the manufacture of butt hinges and other fabricated items. Subsequently German silver was rolled and made into spoons and novelties. A new item of some interest in the middle 1830's was silver-plated brass or copper, and in 1839 this was used for the "plates" employed in the new daguerreotype cameras. During the 1840's the concern undertook to manufacture the metal components for cameras and for plastic daguerreotype cases, in which pictures were mounted, and later operated a plant producing the cases as well. A Scovill depot was opened in New York in 1846 which stocked a complete line of imported and domestic daguerrian supplies. The depot was visited by dealers in these supplies and by operators of the larger studios who came to New York to make their purchases.

Two additional Scovill partnerships that had been formed in the 1830's and 1840's were brought under one management, together with the original firm in 1850, when the Scovill Manufacturing Company received its corporate charter. The following year the younger Scovill brother, William H. Scovill, went to Cincinnati and the South on a trip which may have combined business with an effort to improve his health. In the summer of the next year, 1852, an intensive sales trip to the Midwest was projected.

The points to be visited included those in the Ohio Valley covered by the earlier salesman in 1832, the newer cities of Chicago and Cleveland, as well as St. Louis and other cities farther down the Mississippi and scattered through the South. The proposed distance of about 4,500 miles was to be covered mostly by river and lake steamboat and railroad and only in small part by stage.

The man selected for this journey was Samuel Holmes, the salaried assistant manager of the New York store and a stockholder in the

[2] See, e.g., N. S. B. Gras, *Business and Capitalism* (New York, 1939), pp. 195–200. Documentation for a specific case of such transfer from commission agency to wholesalers by a metal products firm in the year 1843 is given for Reed and Barton in G. S. Gibb, *The Whitesmiths of Taunton*, Harvard Studies in Business History (Cambridge, 1943), p. 164.

firm. He was accompanied on the first lap of his trip by one Blakeslee, who returned from Cincinnati by way of Pittsburgh when Holmes proceeded down the Ohio River to Louisville.

This trip was conceived possibly as a measure necessary for maintaining and expanding sales in the face of competitors' vigorous drumming activities. It was undertaken at a time when general business activity and prices were rising moderately, and when Scovill sales were also increasing at a moderate rate.[3] No quantitative evaluation of the success of this trip has been made, but the fact that it was repeated several times suggests, as in the case of the 1832 trip, that the management considered the results to have positive value. The circuit which Holmes completed took him four months, but after he had been on the road only three months an additional salesman was hired by the New York office for the express purpose of traveling full time.

The buyers of daguerreotype supplies were in the habit of purchasing some of their stock from each of the competing suppliers. Perhaps they believed that in this way they could pit one seller against another for the purpose of getting both the best prices and early delivery of new contrivances. In such cases Holmes' personal visit was doubly important in order that he size up the importance of a customer after visiting his establishment and after estimating the quantity of goods he purchased from other suppliers.

The increase in direct selling by the manufacturer to wholesalers or retailers, especially the increase in such selling on credit, called also for credit information. The correspondence makes clear that

[3] An index of domestic trade shows a rise of only one point, from 93 to 94, in 1852 as compared with 1851; this rose another 7 points for 1853. See W. B. Smith and A. H. Cole, *Fluctuations in American Business, 1790–1860* (Cambridge, 1935), p. 104. An index of copper sheathing prices shows a comparable movement, with the greater part of the change in 1852 occurring during the latter part of the year. See A. H. Cole, *Wholesale Commodity Prices in the United States, 1700–1861* (Cambridge, 1938), pp. 325–326. For Philadelphia monthly prices of non-ferrous metals and their products have been tallied. These may suggest the course also of New York prices. Those in Philadelphia rose very moderately during the year except for the last month when there was a sharp increase. See Anne Bezanson, Robert D. Gray and Miriam Hussey, *Wholesale Prices in Philadelphia, 1784–1861* (Philadelphia, 1936), p. 380. The Scovill sales of 1851 were $285,000; for 1852, $307,500; and for 1853, $392,000. Quantitative data on sales after 1850 have been furnished the writer by Professor P. W. Bishop of Yale University.

determination of credit standing was an important part of Holmes' contribution, and it leaves one with an awareness that the credit agencies established in the 1840's assumed their important rôle only slowly.[4]

* * *

The first comments came from Syracuse and Rochester, which were reached by rail. From Rochester, Holmes wrote of the established trade and of the difficulty in making collections or effecting cash sales on account of the low prices for flour and grain, which he referred to as the "great staple" of the region. In this letter Holmes started the refrain, which runs through all his correspondence, by mentioning five competing firms whose salesmen had been through the market within the last month. Two days later he gave a comparable picture of the metal products trade in Buffalo, writing as follows: [5]

> I find here as in Rochester Curtiss & others have all been along here & to every man that spoons it at all, be he large or small, whatever is wanting in that way they have just been getting in from orders given those parties. Curtiss must have done a large trade here — almost everybody buys his plated ware and there are some 30 or more establishments that keep it more or less, but our G.S. [German silver] takes generally the lead. . . . There are some larger houses here in hardware, crockery, fancy goods & variety store which sell a good many spoons; & I find most of them depend upon giving their orders to agents [salesmen] as they come along — & I see that to do anything in this way we shall be obliged to adopt the same course.

The next week, in a report from Cleveland, Mr. Holmes brought out the difficulties of winter transportation for passengers as well as freight. He wrote of the irregularity in departure of lake steamers, which he attributed to the lateness of the season. He added that

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[4] The Mercantile Agency was organized in 1841, and Robert G. Dun joined the firm in 1854. Service in the South and West was offered a few years later. At about that same time John M. Bradstreet started his agency in St. Louis. See Muriel Hidy, "The Capital Markets, 1789–1860," in Harold F. Williamson, editor, *The Growth of the American Economy* (New York, 1944), p. 297. At the time of Holmes' visit to Cincinnati both the Bradstreet concern and B. Douglas & Co. were listed in the city directory as mercantile agencies. See *Williams' Cincinnati Directory* (Cincinnati, 1853), p. 294.

[5] S. Holmes to G. Mallory, December 4, 1852. All the Holmes letters are quoted from the documents in the archives of the Scovill Manufacturing Company, Waterbury, Connecticut. Acknowledgment is due the Executive Offices for courtesy in permitting examination of these documents.

merchants were unwilling to place orders so late in the season for fear the goods might have to move by land from Buffalo at $9 per hundredweight.[6]

Chicago was reached with travel from Detroit to Michigan City by the Michigan Central Railroad and from that point by a conveyance Holmes described as the "dirt and gravel train." He found that the transportation difficulties owing to an unusual winter freeze prevented merchants from conducting ordinary business and also prevented his traveling on directly to St. Louis. He was none the less most enthusiastic about Chicago's prospects as a rising entrepôt, recognizing, perhaps correctly, that the city's growth was to be achieved by expanding her trade and rail transportation facilities.[7] He wrote of this growth, on December 17, as follows:

> This is going to be a very important place in trade & we must look to it with care — There is going to be a large wholesale trade done here — & are now several quite large houses here of that character. It is astonishing to see how the place has gone ahead; increasing 33-⅓ per Ct. the past year & now numbers between 40 & 50,000 Inhabitants. They will have a large back trade, having already four railroads under way to this point — besides a fine communication by water with considerable country about.

After completing his visits in Chicago, Holmes returned to Ohio in order to avail himself of such rail facilities as were available on the route to Cincinnati via Sandusky and Columbus. His original plan of going directly to St. Louis from Chicago was thwarted by the freezing of the Illinois River. The direct route by land would mean doing 350 miles of the distance by stage, he wrote, and would take six to eight days over roads that were not macadamized and in coaches which were, he observed, "in some respects hard to beat." The effects of cold weather upon transportation are further indicated by later letters from Cincinnati. Both mail and freight were held up, with no mail coming through from New York for nine days. Shortly

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[6] This rate amounts to approximately 4½¢ per mile, which is more than double the per-mile rate between Buffalo and Niagara Falls four years earlier, quoted in C. E. MacGill, et al., *History of Transportation in the United States Before 1860* (Washington, 1917), p. 580.

[7] In the rivalry between Chicago and St. Louis attention must be given the matter of facilities for trade or storing goods, with Chicago's leadership perhaps most marked in the handling of grain. See W. W. Belcher, *The Economic Rivalry between St. Louis and Chicago, 1850–1880* (New York, 1947), p. 103 *et passim*.

afterwards, however, he reported the receipt of one letter from New York that was only six days in transit.

Holmes wrote that merchants in Cincinnati were holding off orders "till navigation opens." He added: "You can hardly form much of an idea of express charges this way." For a small box from New York the charge was $1.90, but this had come before the navigation closed. It is surprising, in view of the obstacles to river travel and in view of Holmes' enthusiasm for railroads, that he had nothing to say of Cincinnati's plans and hopes in this matter, especially since it was in 1852 that ground had been broken for the construction of the Ohio and Mississippi Railroad.[8]

From Cincinnati, in a letter written on Christmas Day, complaint was again made of competitors' drummers and the price discounts they were offering. Holmes justified his having met competitors' price discounts by referring to the jobbing or wholesale business of Cincinnati merchants. He wrote:

> In the spoon business as I have written you found Curtiss was furnishing mostly at 25% & 35% — everybody posted up & have been obliged to name the same terms generally when I named any or else no chance to do anything with them. . . . I know this at first seems hardly just to our N. Y. trade, but they did not generally buy there — but of the manufacturer . . . . I was quite at loss in many cases what to do; one of two things must certainly be, either we offer at same terms they did, or else neither we nor the N. Y. trade get any benefit but Curtiss all. Under these circumstances I think you will think I did right. All the large trade this way buy of the manufacturers and under all circumstances think they should (that jobs) be put on the same footing . . . .

The next point visited was Louisville, and from there Holmes commented on the established houses that sent buyers to New York in a manner which sounded very much like the practice in the 1830's, except for the fact that buyers were going to make direct contact with the firm's New York office instead of calling on the Philadelphia commission agent. He wrote, in a letter of January 5, 1853:

> I find here some very extensive houses in the hardware & fancy goods line — also in the Queens Ware, some of which may order a few goods to fill up, but as most of them are going on soon [New York], will then make their purchases . . . .

[8] Seymour Dunbar, *History of Travel in America* (Indianapolis, 1915, 4 vols.), vol. iii, p. 1088.

A week later Holmes commented again on the presence of a competitor's salesman and he also remarked on the importance of Louisville as an entrepôt. He wrote:

I think we can get a good trade from this place. There is a large business done here with the West & South, & the merchants are generally heavy & good. It is considerably in the boat building & furnishing line. . . . I have taken today an order from Mr. Beard (who has bought of Curtiss generally) to last for the present till he will be on in May when he will want in a large way. It is now so late Mr. Colston will not order until he goes on which will be this week as also Mr. Semple. . . . Several others will be on in the hardware & fancy & dry goods line. The latter trade generally are in the Notion Business.

A number of the Louisville concerns had partners in New York who did the purchasing. As to this practice, Holmes added:

Mr. Low is an old & wealthy merchant but posted up — sells a good many spoons, specks, buttons etc. — he will be on soon probably — though one of the partners resides in N. Y. & has an office he thinks with Coe & Wright. . . . Think it would be well to call & see him & ask him round. Mr. Davidge of the other firm has his office at J. & J. Stuart & Co. & does *all* the buying for that house. Wish you would drop in & make his acquaintance & think we can do quite a trade with them in all our Notions. They have kept Curtiss' spoons. They buy on best terms & would offer as well to all these houses as are doing with our *best customers.*

From Louisville Holmes went to Cairo and then up the Mississippi to St. Louis. At St. Louis he had been preceded, once again, by the salesmen of competitors. A trip down the Mississippi from St. Louis proved halting and slow because of ice and fog. After a stopover in Memphis, Holmes arrived in New Orleans. From there he reported on February 18, concerning the establishments at Memphis, as follows:

I found at Memphis three hardware stores, two large Jewelry and fancy good stores, in most of which I think we may be able to do something with them, when they come on in June. They only come on once a yr. and as was then too late for their trade they will defer purchasing till that time — they are all good and doing considerable business.

In New Orleans Holmes was troubled by the short workday which, he complained, lasted only from ten in the morning to three in the afternoon. The buying practices were similar to those of Memphis. He wrote, from New Orleans:

The purchases for this market are generally made in June, July & August and they go to market but once a year. I am visiting the trade and showing samples but do not expect much in the way of orders now. Most of the hardware trade have bought English Butts [hinges] direct & Curtiss & Filley & Mead's Spoons — all I can do with them is to talk and drum. . . . Slash Day & S are doing a very large business here, but their eastern purchases are all made by their N. Y. house. There are some other very good hardware, Queensware & other houses which I think we shall do something with. . . .

Holmes next stopped at Mobile, where competitors' salesmen had preceded him in visiting the leading houses. He wrote:

I think we shall do something with all the hardware trade of which there are five good houses & three do a very large business. There are a good many spoons sold in this market, but the trade seems to be divided up pretty well between Curtiss, Parker H. E. & C & Filley & Meeutz house. The latter, have a pretty good hold in the Southern market & their plated goods look very well — Henry & Mott have not yet rec'd their last order — & another house which buy largely have ordered of our goods of Churchill & Wetmon. There are also some Queens Ware houses & Jewelry I think we shall do something with — but at present all are well stocked for this season, unless they should have a good & late trade.

Holmes proceeded to Georgia, and South Carolina and returned to New York. He made several more trips west through the same territory. In the late 1850's, when he was promoted to the position of manager of the New York store, he probably delegated such traveling to others. His subsequent recognition and promotion gives one added confidence in the accuracy of the comments he sent home.

* * *

These observations from Holmes' trip reveal, either by direct statement or by implication, that drumming by manufacturers' representatives was by this time general practice and that it was considered important to implement direct selling, to western buyers who came to New York, by such visits from a drummer. None the less the drummer's main purpose was to get actual orders from these customers when he visited them at their own establishments in the field.

Although the rôle of wholesalers and jobbers is not altogether clear from the comments, it was evidently undergoing change. New York jobbing houses were still handling some of the products, and for that reason Holmes feared that he ought not to have lowered the prices which he charged western buyers. However, he justified his having

met competitors' discounts on the grounds that the western buyers were increasingly taking over the jobbing function, and were therefore entitled to the same discounts as New York houses, and also that these buyers were purchasing in increasing measure directly from the manufacturer. The development of specialization among western jobbers, wholesalers or retailers is also revealed by Holmes' reference to houses specializing in Queensware, hardware, dry goods and fancy goods, even to variety stores and jewelers.[9] At Louisville, however, he observed that the dry goods merchants were generally in the notion business; evidently there were fewer specialized firms handling such goods in that city. Wholesalers in daguerreotype supplies were noted in a few cities. There is still much to be filled out concerning the changes in distributive organization here only suggested.

The rôle of manufacturers' direct sales to industrial users is suggested in a small way by the sales of plates to operators of daguerrean studios. In one sense Holmes' rôle in this particular connection was as a salesman from the New York depot that jobbed a variety of daguerrean supplies rather than as representative of the Connecticut manufacturer. He does not mention such direct sale of hinges to the Louisville boat builders, and the quantity used by such boat builders may not have been large enough to warrant direct sales. Some direct selling of sheet metal to Cincinnati fabricators had been started in the 1830's. Characteristically, even as early as the nineteenth century, the Connecticut rolling mills and metal fabricators sold a significant portion of their output directly to industrial users who performed a later stage of manufacture, as is the prevailing condition today.[10] Further light on this practice would be useful.

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[9] The broader lines of development toward specialization in midwest markets are indicated in N. S. B. Gras and H. M. Larson, *Casebook in Business History* (New York, 1939), pp. 385 ff.

[10] See the writer's "Commission Agents in the Button and Brass Trade a Century Ago," BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, vol. xvi, no. 1 (Feb., 1942), p. 8. In 1929 two-thirds of the sales of manufacturers of non-ferrous metals and their products were made directly to industrial users. Further historical data on this procedure would make possible a more complete treatment of a practice sometimes summarily handled in marketing texts. On the other hand, see a somewhat more detailed treatment in C. F. Phillips, editor, *Marketing by Manufacturers* (Chicago, 1947), pp. 34 ff., and particularly pp. 178–186.

A Note on the Burlington Records in the Newberry Library

The experience of the Newberry Library in handling a mass of business records may be of value to other libraries, as well as to scholars, in an important field which, notwithstanding a number of recent excellent books, is still one of the least worked in American history. The primary question which disturbs librarians is, of course, whether the provision of shelf space and the cost of cataloguing, or otherwise arranging for scholarly use, are justifiable for records as voluminous as these.

The central office and land office records of the Chicago, Burlington & Quincy Railroad from about 1850 to 1901, when the road became part of the larger Hill system, were deposited in the Newberry Library in April, 1943, after an exchange of letters between the president of the railroad and the librarian. They were deposited only, since the ownership of railroad papers cannot legally pass from the company, and they are therefore subject to recall. They are open to use by qualified scholars (1) upon submission of a formal request stating the nature of the project and (2) at the discretion of the librarian and one officer of the company. The company made an appropriation to the Library, substantial enough to meet the expenses of cataloguing, binding, or boxing material in need of it, and of preparing and printing a guide.

During the five years since the arrival of the papers in the Library and while the cataloguing was continuing, no fewer than thirteen students and scholars have made more or less extended use of the materials. A study has been made, and is ready for publication, of the Burlington Strike of 1888, perhaps the best-documented strike, to date at any rate, in nineteenth-century history. The whole of management's attitudes and actions are set forth in minutes, letters, and even in a carefully prepared documentary history; and likewise labor's side, for reputedly exact reports of secret labor meetings found their way into management's hands.

A large portion of a completed manuscript, based upon newspaper

and similar sources, on the business career of Jay Gould was rewritten out of the Burlington records when they became available. The reconstructed manuscript is now ready for publication. The collection contains many original Gould letters and enough detailed inside supporting data to make it possible to follow exactly both his and his opponents' moves. If any single instance needs to be isolated to demonstrate the value of business records, it is this contrast, openly acknowledged by the author himself, between the freshness, originality, and life of the story built on documents and the imperfections and dullness of that derived from the usual printed sources.

An account of the Iowa Pool of the 1870's has likewise been finished and is ready for publication. For this subject also the records have provided all essential data, convincing and truthful, in contrast with the inadequate and prejudiced narratives of that episode which appear in texts.

A study is being finished of the ideas of Charles Perkins, who, as president of the Burlington road from 1881 to 1901, was more responsible for its development than any other one man. This study, based in part upon the central office records of the road and in part upon Perkins' private papers, will be ready for publication within a year's time. The records have been used for a somewhat similar but more generalized study of the entrepreneurial ideas of railroad executives during the latter part of the nineteenth century.

A student interested in the history of the Pinkerton Detective Agency, which grew up at a time when normal police methods were inadequate to deal with the social complexities caused by rapid industrialization, has found in the Burlington papers full information on the business activities of the agency as far as its contract with one company is concerned.

A history of the Hannibal & St. Joseph Railroad, the first road to reach the Missouri River, over which once traveled all freight and mail going to California, is being written, with full attention to land-office developments and plans which were later copied by other land-grant roads.

Since railroads often antedated settlement in western States, their records are essential for any local history of the regions through which they pass. At least one student, the forerunner of many others as interest in local history grows, has made use of the Burlington

papers for a study of southeastern Nebraska. These records tell of the settlement of townships, where their inhabitants came from, who they were, what crops they raised, what problems and what disasters they faced, and what part the road played in the settlement and in the agricultural and social improvement of the settlers. They furnish information also — and this has been the subject of a special study by another scholar — on the relation between land grants and the growth of farm tenancy. The sales books of the railroad's land office show precisely who bought which pieces of land and how and when they paid or failed to pay for them. The land-office papers contain thousands of letters from delinquents, explaining their difficulties, as well as the reports of examiners upon each case.

The papers have been or will be used also for such light as they may shed upon the free silver issue, upon Copperheads in the Civil War, and upon the refinancing of the road in the twentieth century; the last-named project will involve the use of some material of an earlier date.

This collection of specialized material has been available to students for only about four years, yet its use by researchers compares favorably with limited manuscript collections in other fields. Even though the Burlington papers are relatively new and as yet almost unexplored by students, they promise none the less to provide facts in a variety of fields for a long time to come. They fulfill, therefore, one primary requirement of a manuscript collection: that it shall be both vast and significant enough not to be compressed within the covers of a single book. The Burlington papers are becoming part of the corpus of American historiography, because they are easily accessible, properly housed, and convenient to use.

A guide to the papers is being prepared, which, when printed and distributed to libraries and students, will serve to indicate what the research student may expect to find. It will be the only catalogue to the collection. The main classifications are nine in number. The first two cover in detail all material of the two earlier corporate organizations bearing names similar to the present one; the third includes series of letters, classified under writer or recipient; the fourth is a decade file, mostly of bundles, which picks up miscellaneous material by subject, including statements, some correspondence, pooling reports, legal papers, and sundry items; the last

deals with the two-hundred-odd roads which make up the Burlington system, and they are each miniatures of the entire collection in being, for the most part, complete accounts of brief existence as separate corporations.

CAROLYN CURTIS
The Newberry Library
Chicago, Illinois

A History of the Standard Oil Company of Indiana

Dr. Paul H. Giddens, professor of history and political science at Allegheny College, has undertaken to write a history of the Standard Oil Company of Indiana. He has been granted a leave of absence from his teaching duties and is already at work in the records of the company at its home office in Chicago.

According to a statement of the Indiana Company officials, Dr. Giddens and his assistants will have "complete academic freedom in determining facts and publishing findings." All company records will be made available, and the researchers are free to seek material wherever it may be found. The project is being financed through a substantial grant to Allegheny College by the Standard Oil Company of Indiana.

This is a significant project. It is a notable illustration of the growing coöperation of scholar and business in making available to the general public information concerning the development of American enterprise. Moreover, the facts that the company has been in existence about sixty years and that its operations extend over 15 North Central States and are represented by subsidiaries and affiliates in 25 other States indicate that its influence and experience have been relatively long in time, extensive both functionally and geographically, and that its history will have a broad significance. The project will contribute specifically to our knowledge of the history of the petroleum industry.

Dr. Giddens has special qualifications for work in this particular

field. He has published several books on the early history of the petroleum industry in the United States. As curator of the Drake Museum at Titusville, Pennsylvania, he has been largely responsible for bringing together the largest collection of materials in the country on the early history of the oil industry. In addition he has for some time urged the importance of studying the history of the petroleum industry as a significant but neglected field of study, as is illustrated by his address at the annual meeting of the American Petroleum Institute in 1945 which was published in this BULLETIN.[1]

[1] Paul H. Giddens, "History Looks at Oil," BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, vol. xx, no. 1 (Feb., 1946), pp. 3–16.

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